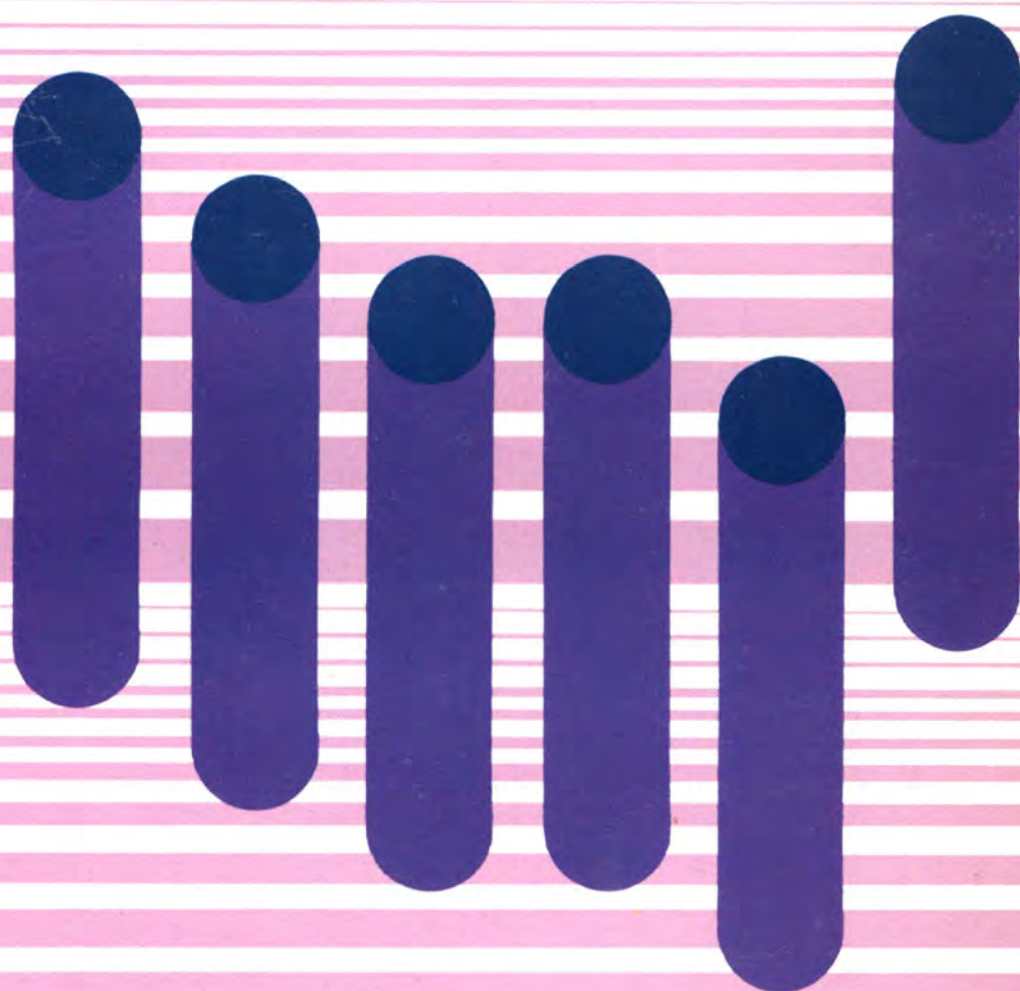


FROM THE FIRST TO THE SIXTH DEVELOPMENT PLAN

KEY ISSUES AND RESULTS



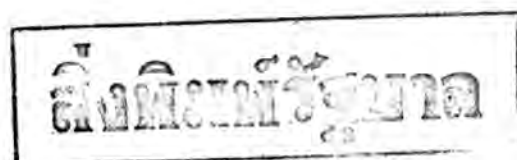
DEVELOPMENT STUDIES AND INFORMATION DIVISION
OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT BOARD

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Preface

The Office of the National Economic and Social Development Board (NESDB) is mainly responsible for the formulation of the National Economic and Social Development Plan. Under this main function, NESDB launched the First National Economic and Social Development Plan in 1961. Up to the present time, NESDB has already accomplished 7 Development Plans, and now is in the period of the Seventh Plan (1992–1997). The purpose of this publication is to present the overall economic outlook at the time of each Plan, and to summarize main aspects of the Plans and the development results derived from them.

*Development Studies and Information Division
Office of the NESDB
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The First Development Plan (1961–1966)

Key issues

The First Plan mainly emphasized the economic development of the country, especially the infrastructure investment necessary for transportation and communication system, dam construction for irrigation purposes and for hydro-electric power, and other public utilities.

Results

The First Plan succeeded in pushing Thailand forward into the real era of development. During this period, the growth rate of the gross domestic product averaged 8 percent per year. Many important infrastructure projects were undertaken, such as the two large irrigation projects on the MaeKlong and Nan Rivers, 6 and 8-year highway construction and reparation projects, the hydro-electric power project at Yan Hee, and the lignite Mine Electric Power Project at Krabi.

In the international trade field, the values of both exports and imports rapidly increased. In spite of the deficit balance of trade, the surplus in balance of payments augmented the international reserves up to US \$ 800 million in August 1966. The stability of Thai currency and the fiscal situation of the country contributed to this successful economic progress.

The Second Development Plan (1967–1971)

Key issues

The Second Plan was formulated to be consistent with the development policies during the previous 6 years and was largely a continuation of the First Plan. However, the scope of its objectives was expanded to cover the overall development of the country, including the elements of state enterprises and local administration agencies. The Second Plan also emphasized the wider distribution of development benefits, particularly to the impoverished rural areas. About 70–80 percent of the development budget was invested in the rural development projects. Apart from the development programmes of

different ministries, there were special additional projects, such as the Provincial Development Project, the Accelerated Rural Development Project, and the Assistance Project for Farmers. A major strategy of the Second Plan was the general consolidation of the economic structure.

Results

The economic growth under the Second Plan was lower than that of the First Plan, but was still at a high rate of 7.5 percent per annum. This slightly slower growth was the result of the first economic recession by the end of the Second Plan, after 10 years of expansion. The recession was mainly caused by changes in global economic situation. For example, the structure of demand in the world markets had changed; consequently, prices of agricultural goods, especially rice and rubber were unfavourably affected. In addition, the military expenditure of the USA in Thailand had been reduced and foreign investment had diminished.

In regard to per capita income, there was a widening of the gap in income between the different groups of earners and the different parts of the country. The number of families in rural areas who earned less than 1,000 Baht per year, especially in the northeast, whose income rose from 43 percent in 1961 to 45 percent in 1966, while poor families in the central and eastern regions decreased from 19 percent to 10 percent in the same period.

These income disparities were partly resulted from the policy of construction and reparation of basic economic structures during the First and the Second Plans. This development helped increase production capacity of the country. However, the number of beneficiaries was limited as the people in the vicinity of public facilities benefitted much more than those living further away. These inequalities of people to access the public services and investments had widened the income gap among them.

With respect to the operations of the economic structure development, basic services were widely expanded by the end of the Second Plan. From 1961 to 1971, electric power production rose from 457 megawatt to 1,169 megawatt, the overall highways of the country increased by 38 percent from 8,498 km. to 11,761 km., and the irrigated areas expanded from 9.7 million rai to 13.3 million rai.

The Third Development Plan (1972–1976)

Key issues

As a result of the problems which occurred during the period of the Second Plan, the strategy to narrow the income gap was added to the development direction of the Third Plan. In addition to accelerating economic

structure improvement, the increase of productivity and stabilization of the country's economy, the policy to bring about a fairer distribution of income and social services were adopted.

The principal targets of overall development were :

Economic stabilization Emphasis was placed on stabilizing the rate of increase in the money supply in order to maintain the consumer goods' prices, and on building international monetary reserves by promoting the exports and adjusting the import structure.

Economic structure and productivity upgrading The Plan aimed at increasing agricultural products in order to promote income and wealth in rural areas, by accelerating more production, export, and import substitutions. Steps were taken to accelerate the promotion of products with good market potential, and to shift budget allocations from emphasizing investment in construction projects to encouraging investment in projects which would make the best use of existing basic structures.

Reducing differences in income levels and services To achieve this target, three new objectives were established :

(1) Reduce the population growth rate so that the economic burden of the government and poor families would be lessened in the long run, and the public services would be more widely distributed ;

(2) Create fairer distribution of economic and social services so as to reduce the difference of living standards between people in urban and rural areas ;

(3) Promote wider opportunities and improve people's ability to obtain economic and social services, especially the development of agricultural and credit institutions, and the stabilization of primary products' prices.

Results

The Third Plan was inaugurated during the perilous world and national economic conditions, after 10 years of smooth passage under the first two Plans. The US dollar was devaluated and prices of food and raw materials in the world market rose after 1972. This was followed by a four-fold rise of oil prices during the first 3 years of the Third Plan. These factors resulted in inflation and economic recession in the developed countries, including the problem of high unemployment and slow-down of international trade.

Having an open economy, Thailand's economic stability was adversely affected by the world economic problems as earlier mentioned. The country's inflation rate soared up to the highest rate ever, while economic performances receded in several respects. For instance, monetary expansion of both public and private sectors was restricted, the sluggish investment caused a slow-down of construction industry, and the exports of major products, such as rice, maize, rubber, textile and garment decreased in volumes and values. The people's income, furthermore, dropped sharply, especially that of people in

rural areas, while the number of unemployed persons accordingly went up.

To solve these problems, the government adopted various monetary and fiscal measures and price controls to overcome these problems ; therefore, the economic situation improved by the end of the Plan. The economic growth rate averaged 7.1 percent per annum throughout the Plan period, very close to the target of 7 percent, and per capita income rose by 4.1 percent per annum compared with the target of 4.5 percent.

For the distribution of economic services, the irrigated areas grew from 13.3 million rai to 20.6 million rai. But the on-land development programme which was meant to supply agricultural land with water, covered only 53,100 rai, or 0.3 percent of the total irrigated areas. However all of these areas of on-land development were concentrated in the central part of the country.

The construction of roads from farm areas to markets, comprising national highways, rural roads, provincial roads, and roads along irrigation canals, increased from 22,124 km. in 1971 to 31,087 km. in 1975. However, the proportion of the roads from farm areas to markets to the overall roads of the country rose from 50 to 59 percent in the same period.

Concerning social services, family planning services were further expanded to rural areas which helped reduce the population growth rate from 3.1 percent in 1971 to 2.6 percent in 1976, which was very close to the target of 2.5 percent.

However, education and health services were still insufficient to the increasing number of population. Fifty-six percent of school children dropped out from formal educational system, and the opportunities of children to attend school were unequal between regions. Health services, in addition, were inadequate, particularly in rural areas in 1976, there were 360 first-class district level health clinics, or 70 percent of all districts of the country. At the same time, there were 3,583 second-class tambon level health clinics (or only 68.5 percent of the total tambons). Moreover, these tambon level health clinics also lacked medical equipments, medicine and qualified officers.

The Fourth Development Plan (1977–1981)

Key issues

During the Third Plan period, Thailand encountered serious economic fluctuations and uncertainties ; consequently, the outputs of various economic and social development were lower than the targets. Therefore, the Fourth Plan emphasized two directions of development : economic recovery and natural resources development.

(1) *Economic recovery* The important elements were concerned with increases of agricultural production and the improvement of the industrial

structure in order to expand exports and allocation of resources to create employment in regional areas. At the same time, the government sought new methods to accelerate the promotion of industrial investment. Economic stability was fostered by emphasizing the stabilization of balance of payments and budget deficit. A number of programmes were formulated for import substitution, export promotion, private investment, loans, public expenditure and price levels.

(2) *Natural resources development* The policy of natural resources development included the utilization improvement of natural resources, particularly land, water resources, forest and mineral resources for the benefit of the overall population. The development directions, systematically formulated, included land development and reforestation; water resources development; conservation of the coastal resources, mineral and forest resources; and exploration and development of petroleum and natural gas in the Gulf of Thailand and the eastern coast of the South.

Results

The implementation of the economic recovery strategy succeeded in bringing the economic growth rate up to 7.1 percent per annum, which was higher than the target of 7.0 percent. However, agricultural production, the most important in the national economic structures, expanded by only 3.5 percent, 1.5 percent lower than the target, and the industrial production expansion was also unable to reach the expected level. By contrast, the other sectors of production grew at very high rates.

Changes in production structure and stabilization of prices for agricultural goods which had not been sufficiently extended throughout the country, further widened the income gap between the population in agriculture and other sectors. A report on per capita income in 1980 showed the population in agricultural sector earned only 11,464 Baht per year, while the average per capita income for the whole population was 29,949 Baht.

A recession in the world economy together with the rising cost of imported oil, made the deficit in international trade rise to an average of 45,000 million Baht per year, or 7.6 percent of the gross domestic product, compared with 13,000 million Baht per year, or 5.1 percent of the gross domestic product during the period of the Third Plan. In addition, the economic recovery during the first two years of the Fourth Plan brought about an increase in the budget for investment in various projects, apart from the public expenditures on public utilities and services. The government's spending increased rapidly, exceeding the capability to generate income. As a result, the share of the government income in the gross domestic product remained at 14 percent. Price level rose by 11.7 percent per year, as against the target of only 6 percent per year. In this respect, the rising price level seriously affected fixed income earners and the poor as their incomes did not increase consistently with the rising cost of living.

As for income and social services, they were not broadly distributed. Development programmes managed to reduce the percentage of people in the impoverished rural areas to the overall population from 39 percent in 1969 to 34 percent in 1976. However, the very poor population were still represented one-third of the total population in the rural areas, or more than 10 million people. These poor rural dwellers lack basic services and some suffered from malnutrition. It was revealed that 70–80 percent of pre-school children were mal-nourished, which caused various infections affecting the children's development. All of these were destructive effects for the national human resources.

The Fifth Development Plan (1982–1986)

Key issues

The Fifth Plan proposed “new directions” in development policies. During the two decades since the inauguration to the First Plan, the Thai economy had expanded at a very high rate. However, external factors, such as the rapid changes of international economic and monetary situations in 1973, inevitably affected many aspects of development operations, such as excessive increases in expenditure, income disparities, poverty problems, which, in effect, weakened the country's economic structure, not appropriate to the world economic conditions and dynamic changes.

The key aspects of the Fifth Plan's new directions were set out as follows :

- utilize an area-based approach to formulate policies and operational programmes ; for example, target areas for rural development, Eastern Seaboard, major regional urban centres, etc.

- maintain economic and fiscal stability by savings mobilization and economic restructuring in agriculture, industry, foreign trade and services, production process and the energy sector ;

- emphasize a balanced resolution of economic and social problems by aiming at a fairer allocation of income and wealth to rural areas, giving priority to people who had not yet benefitted from the development, and emphasizing the elements of discipline and security in life and property ;

- undertake the rural poverty eradication programme by identifying 286 poorest districts in the northeastern, northern and southern regions as the target areas. The objective was to improve people's capability to be self-reliant. The important operational programmes were aimed at job creation village activities, basic services, and promotion of low-cost production ;

- importance was placed on translating plans into action by improving the systems of decision-making, supervision and appraisal of development administration of the government in order to become more efficient ;

– encourage people's participation in solving economic problems by creating the legal organizations, improving laws related to private sector, and giving more authority and responsibility to the private organization.

Results

The development programmes carried out under the first four National Economic and Social Development Plans for the past 25 years clearly helped raise the economic level of the country and the standard of living of the population. The GNP increased 18 times from about 58,900 million Baht in 1961 to 1,047,500 million Baht in 1985, while at the same time per capita income rose almost 10 times from 2,150 Baht per person in 1961 to 21,000 Baht per person in 1986. In the area of social development, the level of services was raised, and widespread distribution was achieved both in education and health which resulted in a general improvement in the quality of life of the Thai population. For example, in education, schools at the high school level were expanded to cover every district. In the area of health, district hospitals were opened for services in 86 percent of the total number of districts, clinics in 98 percent of sub-districts, and basic health services were provided no less than 90 percent of all villages in rural areas across the country.

Even if the general results of the country's social and economic development were quite satisfactory, many problems and hindrances to growth took place in the beginning of the Fourth Plan period through the Fifth Plan period. During the Fifth Plan, the economic growth of the country averaged only 4.9 percent per annum compared with the 7 percent growth rate of earlier period, and was also lower than the Fifth Plan's target of 6.6 percent.

This was due to worldwide recession, intense international trade competition, and protectionism causing the world economy to grow at only 2.5 percent, still, the economic growth of Thailand was double of the world's.

During the period of the Fifth Plan, Thailand had to face many economic problems which accumulated from the past such as the problems of income distribution and poverty, and the effects of fluctuations of the world economy as mentioned above. In such a situation, it was necessary for Thailand to use various economic measures to solve these problems. When there were limitations on the opportunities for the country to expand its exports, the solutions became much more difficult. However, towards the end of the Fifth Plan period, the determined efforts to solve the problems, together with the changing international economic environment especially the lower oil prices and interest rates, helped the country to deal with many important issues such as inflation and the trade deficit. In 1986 the trade deficit was recorded at 55,600 million Baht, or 5.8 percent of GDP.

Eventhough Thailand was able to solve many problems amidst the difficulties in the international economic environment, many other important economic issues remained unsolved, especially the budget deficit, poverty, and unemployment. Also, the country's debt burden grew too large and had to be

dealt with immediately. However, during the Sixth Plan period, it was anticipated that the international economic situation would create opportunities for Thailand to effectively solve these problems while pushing for a higher economic growth rate than that of the Fifth Plan period.

The Sixth Development Plan (1987–1991)

Key issues

The major objective of the Sixth Plan was to raise the country's level of development for future progress and prosperity, and to solve the past accumulated social and economic problem. With such an objective, Thai people were expected to have better income, quality of life, and state of mind. Therefore, the Sixth Plan was set to boost the Thai economy to grow at a higher rate than that of the Fifth Plan, but in a manner which would not affect the country's monetary and fiscal stability. The problems of trade and budget deficit should be effectively solved, while consideration should be given to the ways to increase employment, manage the problems of natural resources and environmental deterioration, promote equity and improve the quality of life of the Thai population as a whole.

Major opportunities for the Thai economy were evident, particularly with regard to tourism and export. In this respect, the Plan aimed to strengthen the country's export via an appropriate exchange rate policy, diversification measures to numerous export markets and various kinds of commodities, and the improvement of commodities's quality. Under the measures as such, brighter opportunities would be created for Thailand to strongly compete in the world market better than during the Fifth Plan. To take advantages of these opportunities, the Sixth Plan emphasized measures to increase efficiency and quality of the country's economic activities in order to raise the level of Thailand's competitiveness in the world market. The following was a summary of the Sixth Plan.

Objectives and targets of the Sixth Plan

Taking into account the important issues and limitation together with anticipated development opportunities of Thailand, the Sixth Plan designated two major objectives as follows :

Economic

To maintain at least 5 percent economic growth so as to absorb new entrants into the labour market, probably no less than 3.9 million persons. Emphasis should be placed on a pattern of growth to ensure economic stability and assist in solving various economic problems occurred during the Fifth Plan.

Social

To emphasize the development of human quality so as to enhance progress in social development, and to create peace and equality. In this aspect, social development had to be consistent with and support the overall development of the country, in addition to preserve traditional values and cultures while improving people's quality of life in rural and urban areas to meet the standards of basic minimum needs.

Development strategies

To achieve the aforementioned development targets and objectives, the Sixth Plan clearly set development strategies for further translating the Plan into appropriate programmes and operational plans. The most important issue was that although better development conditions and opportunities were plentiful, it was not easy to fully reap benefits from them. For that matter, dedication and cooperation should be focused on the following major strategies.

(1) Increase the country's efficiency in development of human resources, science, technology and natural resources. Moreover, importance was given to measures to improve managerial and administrative system by emphasizing the completely systematic cycle principle, with the role of the state to be limited to its legitimate scope and authority. Appropriateness, capability, monetary and fiscal aspects should be taken into account. In addition, the Sixth Plan also aimed at promoting participation of private sector, not only in production, but also in basic services under responsibility of public sector in the past.

(2) Improve production and marketing systems, and raise the quality of basic economic inputs so as to reduce production cost of goods. Diversification method was introduced. Hence, the export markets were expanded so that Thai products become more competitive in the world market. At the same time, emphasis should be placed on the development of domestic marketing system.

(3) Distribute income and prosperity to regional and rural areas, mainly aiming at promoting low-income earners, in order that they would directly derive greater benefit from the national development process.

Major programmes

To achieve these strategies, 10 programmes were set as the operational framework of the government and private sector for the Sixth Plan, thus categorizing into 3 major groups as follows :—

First : Increase efficiency in development

In general, several programmes in the group aimed to increase the efficiency of tools and mechanisms in the development process, for examples, the improvement of human quality, the utilization of science and technology, and the increase in managerial and administrative efficiency in public sector and state enterprises. All these could proceed immediately despite financial and resource limitations. Nevertheless, several financial and resource problems were apparent that required close attention. It was necessary therefore policies and

measures be clearly set as follows :—

- (1) Overall economic development programme
- (2) Population, social and cultural development programme
- (3) Natural resources and environmental development programme
- (4) Science and technology development programme
- (5) Programme to improve management and review the role of the government in national development
- (6) State enterprises development programme

Second : Improve the production structure and basic services

Development programmes in this group aimed at improving the structure of production and basic services of the country through diversification methods as to reduce risks and production cost, in addition to improve the quality of goods and services to achieve stronger competitiveness in the world market. The purpose of development programmes in this regard was to generate more employment for the Thai people. These programmes were :

- (1) Production, Marketing, and employment development Programme
- (2) Basic services Development Programme

Third : Distribute prosperity and strengthen justice

Measures under the first two groups aimed at enhancing overall development of the country. But another important objective of national development was to create social equity. Thus, it was necessary to set spatially oriented programmes for the development of specific metropolitan and regional urban areas, together with rural and "specific zones" development. As for rural development programmes being listed as the last did not mean that it received lower priority in the Sixth Plan. To the contrary, rural development in Thailand remained as the heart and main target in national development. In this category, there were two major programmes namely :

1. Urban and Specific Zones Development Programme.
2. Rural Development Programme.

Revision of the Sixth Plan

Rationale and necessities

After the first two years of the Sixth Plan's implementation (1987–1988), several significant changes had taken place in the country's development process, particularly in terms of the country's economic growth which markedly expanded beyond the Plan's target. The country's economic stability, moreover, was recorded at a satisfactory level, while the unemployment and income distribution problems were likely to improve as well. However, several crucial

problems also had taken place as a result of the aforementioned economic achievement, such as shortages of the needed basic services, skilled labourers and technicians. After reviewing all of these issues, the Council of Economic Ministers (CEM), therefore, granted approval on September 20, 1988 by setting up a committee to adjust the Sixth Plan. Then, on March 20, 1989, CEM unanimously endorsed the revised Sixth Plan, as all details of the Plan's revision can be concluded as follows :

Revision guidelines

To solve some crucial problems in national development as earlier mentioned, the Sixth Plan was set to be revised with two main guidelines :

- (1) To maintain high growth with continual stability.

Six aspects of the Plan were revised, namely, international competition, infrastructure, natural resources and environment, human resources, state enterprises, and monetary and fiscal policies.

- (2) To continuously induce economic expansion in various regions and to solve poverty problems.

In this aspect, infrastructure services would be increasingly provided in provinces, while the government aimed at emphasizing diversification of production and continual improvement of quality of life.

Subsequently, the cabinet passed a resolution to include regional development in the revised Sixth Plan ; including the development of the south, the northeast and the north in order to decentralize economic prosperity to the regions, and to improve income distribution and poverty problems.

Substance of the revision

During the latter half of the Sixth Plan, emphasis of the Plan's implementation was still highlighted on policies, guidelines, and objectives of the Sixth Plan, in addition to all the ten work programmes.

There should be revision and addition of selected areas to solve existing problems and those expected to occur. The revised Plan consequently aimed at laying down a foundation for subsequent development, emphasizing high economic growth and economic and financial stability.

The following was a summary of the main point and results of the Plan's revision in each sector.

1. Overall economic target

– During 1989-1991, the Thai economy was set to grow annually by 7.5 percent on average, while the current account deficit should not exceed 4 percent to that of GDP.

– The Country's savings should be mobilized, and investment should be adjusted and restructured, together with acceleration of the export targets as designated by the Ministry of Commerce.

2. Development of capability for international competitiveness

To boost the country's competitiveness in the world market, four major guidelines were laid out as follows :—

- Reduce production costs
- Improve product's quality
- Improve efficiency in utilization of modern technology of cost reduction.
- Expand international trade relations in order to increase export market shares, and eliminate obstacles in international trade.

3. Infrastructure development

3.1 Urgent issues

- Designate guidelines to increase operation efficiency of relevant agencies.
- Tackle urgent problems of water transport, especially congestion problems at Klong Toey port by adjusting the existing management system with a stress of participation of private sector. At the same time, the capability of the Port Authority of Thailand should be upgraded.
- Alleviate immediate problems of air transport by increasing the number of planes, in addition to solve shortages of immigration officers.

3.2 Long-term development

- Consider expanding 37 new investment projects, including development projects in the fields of electricity communications, land transport, air transport, water transport, water supply, and housing. In so doing, the total budget increased from 269,798 million baht to 353,581 million baht, a rise of 31.1 percent.

4. Development of natural resources and environment

Following four previous principles which emphasized measures to increase efficiency in utilization of natural resources and promote development coordination under a complete systematic manner, in addition to encourage greater participation of non-governmental organizations at regional and local levels, as well as to organize instruments for coordinating natural resources management, the revision was made towards 4 additional issues, namely :–

- Allow greater participation of public and people's organizations in development of natural resources and environment.
- Emphasize a complete systematic maner of development of natural resources and environment.
- Set up united coordination system.

Besides, the revised Sixth Plan also specially seperated development of natural resources and environment into 4 major issues, as follows :–

- Natural resources in conserved areas.
- Natural resources in non-conserved areas.
- Environment and artistic works.
- Pollution

5. Development of Human resources

- As for measures to expedite the development of human resources in needed fields, such as engineers, the revised Sixth Plan by highlighting

measures to expand the admission of university level students specializing engineering and petrochemical at the levels of vocational certificates, vocational diplomas and short courses, the Department of Vocational Education was assigned to expedite manpower production in essential fields. Regarding shortage of experienced artisans, both public and private sectors should either cooperate in organizing the training courses or arranging a special curriculum.

– In terms of shortages of technician, teachers and engineering professors, relevant agencies should formulate their own production plan as well as expanding admission of teachers and professors in these fields more than 2 percent a year. Furthermore, entrance of foreign teachers and professors should be granted, in addition of provision of incentives or scholarships.

6. Development of state enterprises

There were two changes in the revised Sixth Plan in terms of development of state enterprises. The first was to reduce the role of government from management to supervision of state enterprises. The second was the change from privatization of state enterprises to the strengthening of state enterprises with participation of private sector. The followings were additional measures for effective implementation.

6.1 Supervision of state enterprises

– The Ministries together with concerned agencies were assigned to jointly set clear work targets, serving as guidelines for formulation of corporate plans.

– A central organization should be established to be responsible for supervision and monitoring of state enterprises work in compliance with the plans and policies of the government. This organization should provide opinion concerning fees, manpower requirements, labour and finance, and propose guidelines and criteria for strengthening state enterprises.

6.2 State enterprise development with private participation.

– Improve internal management with more business oriented.

– Invite private participation through leasing, contracts and concessions.

– Reallocate (disperse) ownership, such as sale of shares and transferred ownership.

– Transform state enterprises which were unlimited companies into limited companies for convenience in the sale of shares.

6.3 Additional measures

– Improve labour relations.

– Improve efficiency by comparing with private businesses.

– Increase equity by selling shares to private sector.

7. Monetary and fiscal policies

7.1 Targets

– Tax revenue collection by 1991 should attain 17.1 percent of GDP.

- Investment expenditures should grow by 20.6 percent a year on average.
- Budget deficit should be minimized not to exceed 1 percent of GDP.
- The country's savings–investment gap should be maintained not to exceed 4 percent of GDP.
- Foreign borrowing should be kept low not to exceed 1,200 million U.S. dollars.

7.2 Guidelines and measures

- Restructuring of financial system, for example, commercial banks should be encouraged to play a role in capital market development, industrial development and export promotion.
- Mobilization of long–term savings, for example, the requirement of the setting–up of provident fund, review of the policy to open new bank branches and development of financial documents.
- Review of investment policy by means of inviting foreign investors to participate in greater proportion of investment funds in Thailand. Investment Projects with low benefits should be slowed down, while utilization of domestic resources should be encouraged. Investment for speculation purposes will be discouraged. Tax privileges in investment promotion might be withdrawn by lowering the general import tariff of machinery.
- Export promotion should be taken through the establishment of export credit guarantee schemes, an appropriate exchange rate policy, and an increase of commercial bank's roles in an integrated manner.

State enterprises should be required to keep at least 25 percent of the revenue for investment purposes. The pricing policy should be reviewed and private investment should be urged in the project with high investment costs. Furthermore, shares of state enterprises should be sold to the public.

8. Prosperity decentralization and poverty eradication

Concerning income distribution measures, the revised Sixth Plan aimed at emphasizing life quality development plan and rural development plan which had been carried out during the first two years of the Sixth Plan. However, investment promotion plan and industrialization plan should be revised to increasingly decentralize industrial activities to provinces. As for agricultural development, its production should be diversified to minimize risks of farmers.

Revision of overall economic targets in the Sixth Plan

Category	Fifth Plan Actual trends	Previous Sixth Plan Targets	implementations in 1987–1988	targets in 1989–1991	Revised Sixth Plan Targets
Trade deficit (current prices)					
1.1 Average value per year (million baht)	55,600	35,900	70,039	124,049	102,445
1.2 Trade deficit/ GDP (%)	5.8	2.7	5.0	6.6	6.0
Current account deficit (current Prices)					
2.1 Average value per year (million baht)	36,000	11,800	29,060	75,495	56,921
2.2 Current account deficit/ GDP (%)	3.8	0.9	2.1	4.0	3.2
Export of goods and services					
3.1 Value growth rate (%)	9.8	9.9	30.3	16.6	22.1
3.2 Volume growth rate (%)	8.4	7.4	18.1	11.3	14.0
Export of goods					
4.1 Value growth rate (%)	8.4	10.7	32.3	18.3	23.9
4.2 Volume growth rate (%)	8.3	8.1	18.1	13.6	15.4
4.3 Average Value per year (million baht)	177,500	290,700	351,550	586,554	492,552
Income from tourism (current prices)					
5.1 Value growth rate (%)	12.2	7.4	34.3	14.8	22.6

Category	Fifth Plan Actual trends	Previous Sixth Plan Targets	Implementations in 1987–1988	targets in 1989–1991	Revised Sixth Plan Targets
Import of goods and services					
6.1 Value growth rate (%)	3.7	9.3	34.2	16.5	23.5
6.2 Volume growth rate (%)	2.0	4.5	26.8	11.7	17.8
Import of goods					
7.1 Value growth rate (%)	2.9	9.5	42.9	17.0	27.3
7.2 Volume growth rate (%)	2.9	4.6	34.0	12.2	20.9
7.3 Average value per year (million baht)	233,100	326,700	421,599	710,563	594,973
Economic growth (%/yr. at constant prices)					
8.1 Agriculture	4.1	2.9	3.3	1.4	2.1
8.2 Manufacturing	5.2	6.6	13.1	9.8	11.1
8.3 GDP	5.3	5.0	9.7	7.5	8.4
Expenditure growth (%/yr. at constant prices)					
9.1 Private sector					
– Consumption	4.3	3.7	8.8	7.2	7.8
– Investment	–0.8	8.1	24.8	10.4	16.1
9.2 Public sector					
– Consumption	3.3	5.3	2.7	9.0	6.5
– Investment	1.8	1.0	–6.3	11.8	4.5
Population growth rate (%)^{1/}	1.7	1.3	1.7	1.5	1.5
Per capita income (baht)^{1/}	21,395	27,783	26,412	34,986	34,986
Inflation rate					
– GDP Deflator	–	–	5.5	5.3	5.4
– Consumer price Index	2.9	2.3	3.2	4.8	4.2

Results of the Sixth Plan

1. The Thai economy has grown rapidly and has become increasingly internationalized. During the Sixth Plan period, the Thai economic growth has skyrocketed with gross domestic product (GDP) expanding at an average of 10.5 percent per year, twice the Plan target, thus representing the highest average growth rate ever for the past twenty five years. Furthermore, the economic structure has become more outward-oriented internationalized, as indicated by an increase in the proportion of international trade to GDP from 60 percent in 1986 to 80 percent in 1991.

Key factors which have brought about the high growth rates include growth of the export sector, investment and tourism, all of which had grown considerably faster than the projected rates. World economic conditions were also conducive to Thailand's economic expansion, in particular the lower oil prices and lower interest rates. At the same time, increase in world commodity prices and the realignment of foreign exchange rates of industrialized countries brought further benefits during this period. Comparative advantages in natural and human resources, and the reasonable low wages, made Thailand highly competitive in the world market, leading to further expansion of investment and exports.

On a macroeconomic level, cautious and monetary policies, together with political stability were also instrumental in boosting business confidence, propelling the Thai economy to grow far beyond the Sixth Plan targets, and making Thailand the fastest-growing economy in the world during the past 5 years.

2. The country's fiscal and monetary position was characterized by stability, higher income, and growing employment opportunities. Sustained high growth had a number of beneficial effects on the economy, including on the country's fiscal and monetary position, employment and income. More specifically :

2.1 The country's fiscal and monetary position was secure and stable. The rapid economic growth and the cautious management of fiscal and monetary policy helped strengthen fiscal and economic stability during the Sixth Plan period.

The volume of international reserves rose close to US\$17,000 million by mid-1991 with a significant reduction in the national debt burden. The proportion of debt repayment, covering both principal and interest payments in relation to report earnings, declined from 20.6 percent in 1986 to 10.5 percent by 1991. The proportion of external debt to GDP also declined from 38.5 percent to 34 percent during the same period.

A surplus was achieved in public sector finances starting for 1988 onwards, as revenue collection was higher than planned, while disbursements of public expenditures were low owing to delays of project implementation. Fiscal surplus rose from a low of 11,000 million baht in 1988 to 184,000 million baht by June 1991, representing about 50 percent of the government budget. The historically high level of fiscal surplus has enabled the government to improve fiscal policy management by restructuring tax policy, reducing machinery import taxes, car import taxes and prepayments of loan.

2.2 With regard to inflation, prices have tended to rise steadily. Inflation rate rose from 2.5 percent in 1987 to 6 percent by 1991. This was caused to a large

extent by domestic demand for goods and services increasing more rapidly than production capacity. At the same time, world inflation rates have also risen, resulting in an average inflation rate of about 5 percent, which is considered manageable.

2.3 Greater employment opportunities and higher wages. The high economic growth has led to a substantial increase in employment, particularly in the industry and services sectors, with an average employment growth of 554,000 persons per year during the Sixth Plan period. Consequently, the unemployment rate has been reduced to 0.6 percent in 1991. This means that in practice there is virtually no open unemployment, with the exception of some seasonal unemployment during the dry season. At the same time, pressure for wage increased has resulted in higher income and better purchasing power.

2.4 With respect to per capita income, during the Sixth Plan period, it has increased from 21,000 baht in 1986 to 41,000 baht by 1991, due to an average GDP growth rate of 10.5 percent. This, coupled with a decline in the population growth rate to 1.4 percent by 1991, resulted in improvements in the general standard of living, contributing to the national poverty alleviation efforts.

3. Overall development pattern is still unbalanced in a number of ways. Although the high economic growth has had significant beneficial effects on the overall economy, the pattern of growth has led to several structural imbalances, which may become long-term development issues for the country, namely :—

3.1 Income disparities among households of different socio-economic status and between rural and urban areas have increased to an alarming level. Socio-Economic Surveys as conducted by the National Statistical Office indicate that income share of the top 20 percent, or the wealthiest group of households, has increased from 49.3 percent during 1975/1976 to 54.9 percent by 1987/1988, while income share of the lowest 20 percent, or the poorest group of households, has actually declined from 6.1 percent to 4.5 percent during the same period.

Agricultural workers continue to be the group with the lowest income, with about half of the national average income. Other low income groups, such as general manual workers and low-ranking civil servants, still have higher average income than agricultural workers.

Furthermore, regional disparities have also been on the rise as the Bangkok Metropolis and surrounding towns continue to have a dominant role and rapid economic growth rates. In 1981, Bangkok contributed about 42 percent to GDP. By 1989, this share increased to 48 percent, while in most other regions, these share had actually declined. For instance, the shares of the northeast, the north, and the south declined from 14.7 percent to 12.9 percent, 13.5 percent to 11.4 percent, and 10 percent to 9 percent respectively during the same period.

3.2 Infrastructure bottlenecks have become more severe during the Sixth Plan period. Virtually all types of basic infrastructure services were inadequate to meet the strong demand, resulting from the rapidly growing economy. This was the case despite special additional investment programmes undertaken during the Sixth Plan

period. In addition, the policy to promote private sector provision of infrastructure services has not been implemented in an effective and timely manner, thus impeding both current and future development efforts.

3.3 Savings and investment gap have widened. Although there has been a reasonable degree of fiscal and monetary stability during the latter part of the Sixth Plan, the savings-investment gap grew alarmingly with the current account deficit reaching 8.5 percent of GDP in 1991. This was caused by the growth in the proportion of investment to GDP from 24 percent in 1987 to 36.5 percent by 1991. At the same time, savings in relation to GDP grew from 23 percent to 28 percent during the same period. This problem requires close monitoring, together with the formulation of appropriate measures.

3.4 Thai society has a greater difficulty adjusting to the new economic changes. The structural changes from a fundamentally agriculture-based economy to a more industrialized one has transformed the Thai society from being a primarily rural society to a more urbanized one. Traditional ways of life are undergoing changes toward a more modernized lifestyle, with impact on the spiritual, moral, cultural, and general patterns of living. These changes have brought about numerous urban-related problems, in particular increase in crime. During the past 10 years, although the number of crimes has been reduced from 185.5 cases to 154.5 per 100,000 population, the nature of crimes committed have become more severe and complex. Similarly, drug addiction continues to be a major problem. The number of drug-related arrests increased 2.8 times from 21,730 cases in 1980 to 60,546 cases in 1989. In addition, the problems of urban poverty and urban slums have also become serious.

3.5 Regarding deterioration of natural resources and the environment, the rapid and high economic growth rates in the past were associated with extensive exploitation and destruction of natural resources, particularly land, forests, water, fish, and mineral resources. Inefficient natural resources management has contributed to a more rapid deterioration and depletion of natural resources. For instance, the national forest area declined from 109.5 million rai, representing 34 percent of total land area in 1978, to less than 90 million rai or less than 28 percent by 1989.

Furthermore, expansion of economic activities, particularly industry and tourism, coupled with urban population growth, have resulted in increasingly more serious population problems of various kinds, such as contaminated water, polluted air, noise pollution and industrial and hazardous wastes. The quality of water in major rivers, including the Chao Phraya and Tha-Chin rivers, and along tourist destinations in coastal areas has deteriorated beyond acceptable levels. The deterioration of natural resources and environmental problems have direct impact on the quality of life of the people. All of these problems represent constraints for future development.

3.6 The bureaucratic system is unable to adjust to changes and cannot adequately respond to national economic and social transformation. While the economy and society are changing rapidly, the bureaucracy has been unable to restructure and adjust itself to respond to this dynamic because of constraints in manpower, legal framework, rules and regulations, administrative system, and organizational structure

of the government. All of these need major modifications.

With respect to manpower, the government is facing problems of braindrain from the public to private sectors, particularly in science and technology areas facing shortages of manpower. A major reason is the much lower pay in the government sector. Another reason is the government organizational structure, which offers very few top administrative and technocratic positions, thereby limiting opportunities for career advancement.

The existing legal framework and government rules and regulations have not been modified to be in harmony with changing economic and social conditions. Furthermore, the highly centralized administrative system and organizational structure of the government are in need of appropriate decentralization of power and authority to the provincial and local authorities.

4. In summary, the Thai economy has been able to grow with a reasonable degree of stability and security, providing a generally better standard of living for the people. However, the exceptionally high economic growth rates have led to the imbalances as mentioned earlier, which will be obstacles and constraints for high quality and sustainable development in the long term. Therefore, the next plan has to define and appropriate direction for development to serve as a firm foundation for well balanced and sustainable growth.

